

Message Text

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ACTION EA-14

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SUBJ: JAPAN'S ECONOMIC COOPERATION WITH KOREA

REF: TOKYO 16702

SUMMARY: JAPANESE PRESS REPORTS GOJ AID TO KOREA WILL HENCEFORTH BE BASED ON IECOK MEETING DECISIONS, AND THAT GOJ FY 1974 AID TO ROK WILL LIKELY BE TWO HUNDRED MILLION DOLLARS. FONOFF REP SAYS REPORTS ARE INACCURATE AND MOSTLY SPECULATION. ON PRIVATE SIDE, JAPANESE REPS AT RECENT JAPAN-KOREA JOINT PRIVATE ECONOMIC COMMITTEE MEETING AGREED TO SUPPORT ROK'S HEAVY CHEMICAL INDUSTRY DEVELOPMENT AND DO BEST CONTINUE TO SUPPLY NEEDED INDUSTRIAL MATERIALS. END SUMMARY.

1. ACCORDING MAR 9 JAPANESE PRESS, GOJ HAS DECIDED THAT HENCEFORTH GOJ AID TO ROK WILL NO LONGER BE DISCUSSED AT ANNUAL GOJ-ROK MINISTERIAL MEETINGS, AS IN THE PAST, BUT WILL BE INITIALLY DISCUSSED AT MEETINGS OF THE INTERNATIONAL ECONOMIC CONSULTATIVE GROUP FOR KOREA (IECOK) AND THEN AT BILATERAL TALKS BASED ON DECISIONS

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MADE AT IECOK MEETING. ACCORDING ONE REPORT, JAPAN WILL

CONTRIBUTE ONE-THIRD OF TOTAL AID AGREED TO BE IECOK COUNTRIES. OTHER REPORTS DID NOT MENTION ONE-THIRD FORMULA, BUT ALL REPORTED THAT JAPANESE SHARE OF FY 1974 AID TO ROK WOULD BE DOLLARS TWO HUNDRED MILLION. REASONS FOR GOJ'S ADOPTION OF NEW PROCEDURE WERE REPORTEDLY CRITICISMS OF PRESENT GOJ AID IN LIGHT OF KIM CASE, QUESTION WHETHER JAPANESE AID HAD BENEFITTED KOREAN PEOPLE, AND FEAR OF JAPANESE ECONOMIC CONTROL WHICH HAD ARISEN IN KOREA.

2. AS REPORTED REFTTEL, GOJ AND ROK AGREED PRIOR TO 1973 MINISTERIAL MEETING THAT ECONOMIC ASSISTANCE WOULD NO LONGER BE NEGOTIATED AT MINISTERIAL BUT RATHER ON CONTINUING BASIS AT OFFICIALS' LEVEL. ON MAR 11, TANIDA, HEAD, FIRST ECONOMIC COOPERATION DIVISION, FONOFF, CHARACTERIZING PRESS REPORTS AS NOT ACCURATE AND MOSTLY SPECULATION, TOLD EMBOFF THAT GOJ WILL SEND KIYOAKI KIKUCHI, ASSISTANT DIRECTOR GENERAL, ECONOMIC COOPERATION BUREAU, FONOFF, AS DELEGATE TO IECOK MEETING MAR 26-27, BUT IS NOT PLANNING ANY CHANGE IN ITS PRESENT AID POLICY TOWARDS ROK NOR NEW PROPOSALS FOR IECOK MEETING. TANIDA SAID HE ANTICIPATED GOJ ASSISTANCE WOULD DECLINE IN FUTURE AND PRIVATE INVESTMENT WOULD INCREASE (ALONG LINES REPORTED REFTTEL).

3. IN SEPARATE CONVERSATION ASAKAI, DEPUTY HEAD, NORTHEAST ASIA DIVISION, FONOFF, TOLD EMBOFF THAT VARIOUS IDEAS CONCERNING AID AND RELATIONS WITH KOREA ARE CIRCULATING WITHIN FONOFF AND THAT SOME OF THESE IDEAS MAY HAVE TURNED UP IN PRESS REPORTS, BUT, TO HIS KNOWLEDGE, GOJ HAS MADE NO DECISION ON FUTURE AID LEVELS NOR ON CHANGING AID PROCEDURES RE ROK.

4. ON NON-GOVERNMENTAL SIDE, JAPAN-KOREA JOINT PRIVATE ECONOMIC COMMITTEE HELD SIXTH MEETING IN TOKYO UNDER KEIDANREN (FEDERATION OF ECONOMIC ORGANIZATIONS) AUSPICES FEB 28-MAR 2. KEIDANREN SOURCES TOLD EMBOFF TALKS WERE FRIENDLY, AS TWO ITEMS WHICH HAD FORMERLY CAUSED PROBLEMS -- BILATERAL TRADE IMBALANCE AND KOREAN INSISTENCE THAT JAPANESE INVESTMENT BE FOR LABOR INTENSIVE LIMITED OFFICIAL USE

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INDUSTRIES -- WERE NOT ON AGENDA THIS TIME. MAIN ACCOMPLISHMENT OF MEETING WAS JAPANESE AGREEMENT TO SUPPORT KOREA'S HEAVY CHEMICAL INDUSTRY DEVELOPMENT PLAN AND UNDERTAKING BY BOTH SIDES TO SET UP COMMITTEES TO STUDY DETAILS OF IMPLEMENTATION. JAPANESE SIDE ALSO UNDERTOOK TO DO ITS BEST TO SUPPLY INDUSTRIAL MATERIALS ON WHICH KOREA DEPENDS, BUT AVOIDED FIRM PROMISE. KEIDANREN SOURCES QUESTIONED WHETHER INCREASING JAPANESE PRIVATE

INVESTMENT WOULD BE ADEQUATE TO REPLACE DECREASING
GOVERNMENTAL AID.

5. COMMENT: IT MIGHT BE USEFUL TO RECALL THAT FONOFF
AND GOJ HAD LONG BEEN DISSATISFIED WITH PREVIOUS METHOD
FOR NEGOTIATING AID TO ROK, I.E. AT ANNUAL MINISTERIAL
MEETING. IN JULY 1973, PRIOR TO REGULARLY SCHEDULED
ANNUAL MEETING WHICH WAS THEN POSTPONED UNTIL LATE
DECEMBER BECAUSE OF KIM CASE, FONOFF NORTHEAST ASIA
DIV HEAD SEO TOLD EMBOFF THAT GOJ WISHED TO ALTER
PROCEDURES FOR TWO BASIC REASONS: A) MEETINGS HAD
DETERIORATED FROM HIGH-LEVEL DISCUSSION OF MAJOR BI-
LATERAL ISSUES TO HAGGLING SESSION IN WHICH ROK MINISTERS
DUNNED GOJ COUNTERPARTS FOR AID; AND B) MINISTERS WERE
NOT PREPARED TO NEGOTIATE DETAILED AID QUESTIONS PROPERLY
LEFT TO TECHNICIANS. IMPLICATION OF LATTER POINT WAS
THAT IT WAS DIFFICULT FOR GOJ TO SCALE DOWN ROK REQUESTS
WHEN MADE IN POLITICAL CONTEXT. IN FURTHER DISCUSSION
OF THIS ISSUE SUBSEQUENT TO KIM TAI JUNG KIDNAPPING, SEO
NOTED THAT LDP DOVES AS WELL AS OPPOSITION DIET MEMBERS
WERE CRITICAL OF GOJ AID TO PARK GOVT, AND THAT
GOJ COULD HANDLE THESE CRITICS MORE EFFECTIVELY IF AID
WERE NEGOTIATED THROUGH SAME PROCEDURES USED WITH OTHER
COUNTRIES. EMBASSY THEREFORE CONCLUDES THAT GOJ
DECISION TO CHANGE FORMAT OF MINISTERIAL MEETING AND
AID NEGOTIATION PROCEDURES WAS RESULT OF ABOVE CONSIDER-
ATIONS. ALTHOUGH FONOFF REPS HAVE DENIED PRESS
REPORTS OF LARGE IECOK ROLE, EMBASSY CONCLUDES THEY
MAY CONTAIN FAIR AMOUNT OF TRUTH. ON OTHER HAND,
EMBASSY DOUBTS GOJ IS PLANNING ANY INCREASE IN AID
LEVELS TO ROK, AS SUGGESTED BY PRESS REPORTS. END
COMMENT. SHOESMITH

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